

The system to which these objections do not hold good, and which has recommended itself to the Government, after much consideration, as the fairest, is founded on a direct valuation according to the market value, deducting improvements. Here every holding would have its own special value, derived from position and quality, including accessibility to market, situation in towns or suburbs, the productive capacity of the soil, and other natural advantages. The principle, then, we propose is, to tax the actual value to sell, minus improvements, embracing both town and country, with a re-valuation every third year. The natural increase of wealth, thus ascertained, from one period to another, will indicate one peculiar and remarkable kind of progress—namely, that arising from the general prosperity of the community, apart from the enhanced value which labour gives to the land itself. A man in making improvements will know that he is not at the same time swelling the exactions of the tax-gatherer, but that the reward of his industry is altogether his own.

We propose to follow the precedent of the Income Tax in England, in exempting values below a certain amount. Every holder will be entitled to claim an exemption to the extent of £500 on the total value of all his holdings, and no one will be called upon to pay the tax the value of whose property is not more than that sum. The leaseholder, except where the lease is held from the Crown, will have the right to deduct from his rent at the time of payment the amount of the tax. The minimum unimproved value of land will be fixed at a pound an acre. The measure we shall introduce to give effect to these proposals, will provide for a system of assessment within each county and municipality, setting forth the improved and unimproved value, and it will empower the local bodies, at their option, to accept the valuations required under the Rating Act. The Committee will observe that the owner of landed property will not begin to contribute under the tax until two deductions or exemptions of a very material character are made. By the exemption of improvements, the industry of the improving settler escapes taxation; and by not taxing the first £500 of unimproved value, the settler commencing with small means is left unburdened until in making a start in life he rises above his difficulties, while the class character of the exemption is destroyed by making it universal.

I now come, Sir, to the question of results, after having explained the principle and basis on which we propose to proceed. The present local valuations for rating purposes are probably not entitled to the most implicit confidence, but they constitute the only data from which I am able to estimate the value of improved land in the colony. The annual valuation of Highway and Local Boards this year is £2,343,249, and the Municipalities £1,467,746; giving a total annual value of £3,810,995. The Highway valuations are incomplete, and the annual value may with moderation be taken at £4,000,000. This, capitalized at 5 per cent., gives £80,000,000 as the improved capital value of the real property of the Colony. It may be more, as the valuations seldom reach the market value; but we accept it as the basis. I deduct for improvements three-sixteenths, or £15,000,000, and for the exemptions of £500, another £15,000,000, leaving £50,000,000 of a taxable value under our proposal. The estimate of the amount deducted for exemptions I have taken at what may be considered the minimum, so that the revenue expected, and which we think ought to be derived from this source, may not prove excessive, or be more than to meet our requirements; the principle being kept in view that in imposing a new tax before all the statistics relating to it can be collected, it is preferable to obtain less, not more, than the amount of revenue anticipated. We propose that property under this head shall contribute a halfpenny in the pound, which on £50,000,000 will yield to the revenue a sum of £104,166, or in round numbers say £100,000. The net gain to the revenue will, however, not reach this amount by £10,000—the estimated cost of valuations and collection. The Government believe their proposals on this subject will be received as characterized by fairness and moderation, as founded on a principle just in itself, and so applied as to inflict the least hardship on any class of the community.